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U.K. -U.S. Farm Trade After EC Enlargement

Foreign Agricultural Service
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This week's cover:

Loading No. 2 yellow corn at an elevator on the Maumee River, Ohio. U.S. feedgrain exports to the United Kingdom will be among the items facing problems in that important market when the EC pricing and protection systems go into effect there. See story beginning this page.

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Impact of EC Enlargement On U.S. Farm Exports To the United Kingdom

U.S. agriculture has a large trade with the United Kingdom and with the expanded EC, and a vital stake in the accession arrangements. The U.S. Government aims to protect these interests and trade rights in the larger Community through consultations and negotiations under Article XXIV of the General Agreement on Tariffs and Trade (GATT), starting early in 1972.

Prepared by international trade specialists of the Foreign Agricultural Service.

The United Kingdom, along with Ireland, Denmark, and Norway, concluding almost 19 months of negotiations, signed the Treaty of Accession with the European Community on January 22, 1972. Except for the United Kingdom, these applicants must take referendums to determine whether voters approve the terms of entry negotiated. All four applicants require enabling legislation before they can accede to the EC. These steps are to be carried out during the remainder of 1972. The treaty will enter into force on January 1, 1973, for those applicants that have deposited their instruments of ratification and accession on or before that date.

The enlarged EC will be the world's largest trading bloc. Its 10 countries accounted for approximately 38 percent of the $325 billion ($294 billion, excluding Eastern Europe and China) in world imports for 1970, if trade between the Ten is included. The United States, in comparison, accounted for about $42.5 billion, or 14 percent.

In 1970, the original EC Six took $8.3 billion of total U.S. exports, including $1.6 billion of U.S. agricultural exports, while to the Ten the United States exported a total of $11.3 billion, of which $2.1 billion was farm products. The importance of an enlarged EC for U.S. exports is shown by the fact that the Ten accounted for 27 percent of total U.S. exports and 29 percent of U.S. agricultural exports in 1970. Still more importantly, they accounted for 34 percent of U.S. **commercial** farm exports in that year.

The largest of the four applicants for EC membership in terms of both population and trade is the United Kingdom. In 1970, total U.K. imports were $21.7 billion, of which $5.8 billion was agricultural products (both temperate and tropical). The United Kingdom took $2.5 billion, or 5.8 percent, of total U.S. exports in 1970; its takings of U.S. farm products were $418 million, or 6 percent of the $7.2-billion U.S. farm export total.

Terms of accession. The United Kingdom and the other three applicants have agreed to accept the Common External Tariffs (CXT's) of the EC for fixed-duty items; the EC price and marketing systems for agricultural products; and EC price support levels, over a transition period lasting from January 1973 to December 1977.

During the transition period, the applicants will adjust to the CXT's and the variable levies on imports from third countries, at the same time eliminating import charges on trade between the EC and themselves.

The United Kingdom and the other acceding countries will put into effect in February 1973 the EC's Common Agricultural Policy (CAP) involving guaranteed or support prices, market intervention (price support buying), and variable levies for the major products. The acceding countries are to adjust in six stages to EC guaranteed prices, by December 31, 1977. These items would become eligible for export subsidy payments.

Further, the applicants have agreed to grant duty-free or preferential treatment to the areas to which the EC extends such treatment. Areas for which the EC has preferential or special trade arrangements include Greece, Turkey, Spain, Israel, Morocco, Malta, Tunisia, most of Africa, Malagasy, Surinam, Guyana, and French Pacific Oceania areas.

The EC and the applicants have agreed to offer the options of preferential or special trade arrangements to most developing areas of the British Commonwealth, probably on a reciprocal basis. The EC would negotiate with the areas on these options for governing their trade relations with the enlarged Community, but this portion of the agreement will not be negotiated until the present EC Yaoundé Agreement with the African areas is reconsidered in 1974. Meanwhile, the United Kingdom will continue to extend preferential treatment to the developing Commonwealth areas.

Provisions of the British Commonwealth sugar agreements would continue in effect until the present EC sugar agreement is renewed or reconsidered in 1974. The EC has agreed to consider possible continuing arrangements on imports of sugar from the less developed areas of the Commonwealth. Specifics of an arrangement will only be known after negotiations are completed—by the end of 1974, when the present Commonwealth agreement ends.

The EC and the United Kingdom have agreed that during the transition period special treatment is to be given to New Zealand in the form of guaranteed prices for specified levels of butter and cheese imports by the United Kingdom. The guarantee on New Zealand cheeses is to terminate on December 31, 1977. There is language in the U.K.-EC agreement which may provide a basis for the extension of the arrangements on New Zealand butter by the enlarged EC after 1977.

Border protection changes. The accompanying table shows changes in levels of border protection against imports from the United States and other third countries into the United Kingdom when the present EC systems and levels of protection are adopted.[1] The products listed include U.S. agricultural exports totaling $394.6 million, or 94.5 percent of total U.S. agricultural exports to the United Kingdom in 1970.

Changes in levels of border protection are shown by grouping the products into three classes according to the direction of change that would result. For the entire group of selected U.S. farm exports to the United Kingdom in 1970, border protection will rise for items worth $324.7 million, or 82.3 percent of the total; it will decrease for items worth $22.3 million, or 5.7 percent of the total; and it will remain unchanged for items worth $47.5 million, or 12.0 percent of the total.

There would be large protection increases on the variable levy items, including wheat, feedgrains, rice, lard, beef and veal, poultry, and eggs. On these the United Kingdom now has fixed-duty rates ranging from free to 10 percent, which would increase to EC levy rates of 38 to 182 percent or more.[2] Large increases in protection would likewise apply to other variable levy items not shown in the table, including dairy products, pork products, and sugar.

Fresh fruits and vegetables now face border protection ranging from 2.6 percent to 5 percent; this range would become 8 to 15 percent. Other important fruit items whose rates would change are: Prunes, from free to 16 percent; canned fruits, from between 1.8 and 6 percent to between 26 and 31 percent; specified citrus juices, from free to between 15 and 20 percent; and other citrus juices, from between 5 and 10 percent to between 18 and 21 percent.

Edible offals of hogs and sheep and beef tongues, now free, would become 10 to 14 percent. Beef livers, now 10 percent, would increase to 14 percent.

U.K. imports of unmanufactured tobacco are now subject only to a specific-rate revenue duty comparable to an excise or consumer tax, rather than a protective duty, since the United Kingdom does not produce tobacco. For leaf other than cigar wrapper, this would shift to an EC protective import duty of 23 percent with a minimum of $28 and a maximum of $33 per 100 kilograms. The ad valorem element of the EC duty

[1] The summary analysis of border protection in this article and the accompanying table is based upon most-favored-nation or general border protection applied by the United Kingdom and the EC. It does not include preferential rates for many countries and products which are applied by the United Kingdom under Commonwealth preferences and by the EC under preferential arrangements.

[2] For several years the United Kingdom has applied a minimum import price system on grains under which small levies were applied for brief periods.

would result in a higher rate and discriminate against the more expensive, high-quality U.S. tobacco in comparison with lower quality tobacco from other third countries. The EC border protection on cigar wrapper, which would be applied by the United Kingdom, is 15 percent with a maximum charge of $70 per 100 kilograms.

For some important U.S. farm trade items, U.K. border protection would decrease: Vegetable oil cake and meal, from 10 percent to free; inedible tallows, from 10 percent to free; sausage casings from other than hogs, from 10 percent to free; dried peas, from 10 to 4.5 percent; certain grass and other seeds, from 10 to 6 percent; crude linseed oil, from 10 to 5 percent; and tall oil, from 10 to 4.5 percent.

There are significant U.S. trade items, both duty-free and fixed-duty, on which there would be no change in levels of border protection. Duty-free items include soybeans; cotton and cotton waste; horse, cattle, and sheep hides and skins; and sausage casings from hogs. Dutiable items include crude soybean oil (10 percent) and refined cottonseed oil (15 percent).

Impact of border protection. Projected changes in U.K. border protection and related measures are of most concern for feedgrains, wheat, rice, unmanufactured tobacco, fresh citrus, apples and pears, canned fruits, canned asparagus, citrus juice, and prunes.

Owing to much higher prices, **feedgrain** consumption is expected to be less than it would be under the old U.K. deficiency payments system. Large increases in U.K. production are also expected, with a significant rise in the rate of self-sufficiency. The switchover to EC price levels will bring very large increases in border protection (in the form of variable levies) applying to imports from the United States and other third countries. Imports will be substantially smaller than they would have been under the former system.

The import situation for hard **wheat** is expected to continue reflecting consumer demand for flour and bread; but the shift to high EC variable levies will further increase the relative cost to U.K. millers of wheat imports from third countries and encourage greater use of U.K. and EC wheats in the blends. High EC producer prices and the use of variable levies against imports are expected to increase U.K. production of wheat and lead to greater reliance on imports of soft wheat from EC countries (if such imports are required) for use both as human food and as animal feed.

Although there are strong consumer preferences for specific types of **rice,** two aspects of EC rice policies will tend to discourage U.K. imports from the United States and third countries. One is the consumption effect of the shift from present U.K. specific-duty or duty-free rates to the use of high EC variable levies, which will significantly increase the consumer price of imported rice. The other is the elimination of U.K. import charges on imports from EC members, which will permit levy-free imports from Italy.

Imports of **unmanufactured tobacco** into the United Kingdom from the United States and other third countries could be adversely affected by shifts to the high EC protective duty.

But other factors are more important to U.S. tobacco exports than border protection. The change to the present EC "buyer's premium" paid to manufacturers who buy EC production will reduce U.K. imports from third countries; and these would be further reduced by the United Kingdom's extension of preferential treatment to important suppliers, since it must grant duty-free entry not only to the EC countries but to Turkey, Greece, and many areas of Africa.

If there is agreement to include a percentage element in the proposed EC excise tax regulation on manufactured tobacco products, the higher tax burden on high-quality cigarettes made primarily from U.S. tobacco would discriminate against imports of U.S. unmanufactured leaf. A change in U.K. laws to permit the use of additives in tobacco products (which is expected to be EC policy) would result in U.K. manufacturers' increasing the use of different types and lower qualities of tobaccos, with less reliance on the high-quality flue-cured at present supplied mainly by the United States and Canada.

EC entry would bring greater competition on the U.K. **fresh citrus** market, with seasonal detriment to the competitive position of the United States.

Adoption of EC CXT rates would mean somewhat higher import duties. Under terms negotiated with the EC, the United Kingdom will grant duty-free access to Italy and Greece and extend preferences to Turkey, Spain, Israel, Morocco, and Tunisia.

The United Kingdom plans to continue Commonwealth preferences to Cyprus, Jamaica, Trinidad and Tobago, British Honduras, Swaziland, and certain other citrus suppliers. Also, these countries will be offered a choice of three preferential systems on an enlarged-EC-wide basis. The present U.K. preferential treatment on imports from South Africa and Australia is to be eliminated. These countries will attempt to hold their markets in the United Kingdom. To the extent that this cannot be done, they are likely to try to push displaced supplies to other markets, including the United States.

The United Kingdom has greatly increased imports of **fresh apples and pears** from the EC, and this trend is expected to continue. U.K. producers are concerned about the effects of imports from the EC on their future production and sales. A shift to the higher EC duty rates would intensify the downward trend in U.S. sales to the United Kingdom, along with those from Argentina, formerly also an important third country supplier.

Commonwealth suppliers such as Australia, Canada, and New Zealand—as well as South Africa, although not a member of the Commonwealth—now enjoy duty-free treatment. Elimination of the preferential U.K. rates to these suppliers and duty-free imports from the EC will worsen their competitive position in the U.K. market. They have already increased their efforts to sell in other markets, including the United States, and they will undoubtedly accelerate these efforts.

U.S. reactions to enlargement. The EC, the United Kingdom, and the other acceding countries are obligated under Article XXIV of GATT to negotiate with the United States and other GATT members on proposed duties and other regulations of commerce which affect the trade of GATT members outside the enlarged EC.

Paragraph 5(a) of Article XXIV provides that when a customs union is formed, "duties and other trade regulations imposed at the institution of any such union . . . shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union."

Paragraph 6 of Article XXIV relates to negotiations on individual products in order to maintain for GATT mem-

bers not part of the customs union a balance of concessions or benefits equivalent to the duties and other regulations of commerce which they negotiated earlier with the countries now constituting the customs union. If, in setting common duty rates and other regulations of commerce for the customs union, "a contracting party (which is becoming a member of that customs union) proposes to increase any rate of duty inconsistent with provisions of Article II, the procedures of Article XXVIII shall apply."

This means that for any product on which the EC and the United Kingdom or any other acceding member proposes to raise a duty or other regulation of commerce above the rate bound in previous GATT negotiations, they must negotiate with the country or countries to which the tariff concession was granted as well as with the principal suppliers of that product. Paragraph 6 provides that in such negotiations and/or "in providing for compensatory adjustment, due account shall be taken of the compensation already afforded in the reductions brought about in the corresponding duty of the other constituents of the union."

U.S. preparations are underway for the forthcoming multilateral examination of the accession treaties and all other information relevant under paragraph 5(a). Negotiations under provisions of paragraph 6 are to take place when the acceding country or countries approve the terms of accession to EC membership. The results of such negotiations in the months ahead will be of crucial importance to U.S. farm exports to the United Kingdom and to other countries of an enlarged EC.

(Table below continues on following page.)

U.S. AGRICULTURAL EXPORTS TO THE U.K. IN 1970, WITH A COMPARISON OF U.K. AND EC IMPORT CHARGES

[MFN rates effective Jan. 1, 1972]

Schedule B number	Commodity	U.K. import charges	EC import charges	U.S. exports to U.K., 1970
	U.K. TARIFF RATE LOWER THAN EC RATE	*Percent*	*Percent*	*1,000 dol.*
0111010	Beef, cut, not boned, chilled	£0.3500 (1.2 [1])	20+VL (41 [2])	321
0114038	Turkey parts, fresh, frozen	£0.0125/lb. (3.6 [1])	VL+SL (38 [2])	452
0116005	Beef tongues, fresh, frozen	Free, B	12	6,345
0116010	Beef livers, fresh, frozen	10, B	14, B	932
0116015	Beef offals, nec., fresh, frozen	10, B	12, B	4,183
0116035	Lamb and mutton offals, fresh, frozen	Free, B	6, B	3,044
0138010	Poultry, exc. soup, canned	£0.125.lb. (4.7 [1])	VL (17)	347
0250030	Dried eggs, whole	10	VL+SL (60 [2])	134
0410020	Wheat, unmilled, excluding relief	Free, B	VL (102 [2])	42,594
0421030	Rice, husked, brown, long grain	Free, B	VL (106 [2])	2,812
0421040	Rice, husked, brown, medium grain	Free, B	VL (106 [2])	3,242
0422022	Parboiled rice, long grain	£0.1500/cwt. (2.6 [1]), B	VL (n.a.)	1,863
0422050	Rice, milled, not over 75% broken	£0.1500/cwt. (3.4 [1]), B	VL (182 [2])	2,340
0440020	Corn, except white and seed	Free, B [3]	VL (47 [2])	74,478
0511010	Oranges, fresh (4/1 to 11/30 period)	£0.175/cwt. (3.7 [1]), B	15, B	1,013
0512010	Lemons, fresh	5, B	8	358
0514000	Apples, fresh (8/16 to 4/15 period)	Free, B	10-14, B	1,173
0517210	Almonds, shelled sweet	Free, B	7, B	2,776
0520300	Grapes, dried raisins	£0.20/cwt. (2.6 [1]), B	6 (1.2 within quota), B	3,419
0520910	Prunes, dried	Free, B	16, B	2,729
0535055	Orange juice, concentrate, no sugar added, frozen	Free, B	19, B	1,216
0539035	Pineapple, pre./pres., cnd., 1 kg. or less	£0.275/cwt. (3.0 [1]), B	24+SAL (27 [2]), *B*	595
0539040	Fruit cocktail, pre./pres., cnd., 1 kg. or less	£0.150/cwt. (1.8 [1]), B	22+SAL (27 [2]), *B*	1,266
0539060	Nuts, exc. peanuts, pre. nec., cnd., 1 kg. or less	7.5, B	17, B	2,745
0542010	Navy pea beans, dried, excluding seed	4, B	4.5, B	6,168
0542055	Beans, seed	4, B	4.5, B	520
0545020	Onions, fresh (2/1 to 6/30 period)	5, B	12, B	776
0546100	Vegetables, frozen	10	18, B	717
0551010	Potatoes, dehydrated, in airtight containers	15	16, B	51
0551020	Vegetables, dehydrated (exc. potatoes and leguminous vegetables), in airtight containers.	15	16, B	2,232
0554300	Potato flakes and granules	10	19	462
0555015	Asparagus, canned	10, B	22, B	348
0819950	Dog and cat food	10	15	784
0913010	Lard and other pig fat, exc. grease	Free B,	VL (42 [2])	30,593
0914030	Shortening (vegetable oil)	10	25, B	710
1210060	Tobacco, cigar, wrpr. conn. shade leaf	([4])	15 but not more than $70/100 kg.	1,752
1210005	Tobacco, flue-cured, leaf, unstmd	([4])	23 but not less than $28 and not more than $33/100 kg. net weight, B.	5,880
1210010	Tobacco, flue-cured, stmd	([4])	....do	96,913
1210090	Tobacco, unmfd., nec., stems, etc	([4])	....do	1,423
2623010	Mohair, raw	Free, B	1.5, B	5,360
5511030	Peppermint oil, not terpenless, crude	Free, B	3.2, B	2,017

See Footnotes at end of table (p. 6).

U.S. AGRICULTURAL EXPORTS TO THE U.K. IN 1970, WITH A COMPARISON OF U.K. AND EC IMPORT CHARGES—Cont.

[MFN rates effective Jan. 1, 1972]

Schedule B number	Commodity	U.K. import charges	EC import charges	U.S. exports to U.K., 1970
U.K. TARIFF RATE LOWER THAN EC RATE—Cont.		*Percent*	*Percent*	*1,000 dol.*
5995110	Corn starch	7.5, B	VL (n.a.)	917
5995400	Albumins	10	VL (59 [2])	1,104
5996410	Wood rosins	Free, B	5, B	3,552
5996420	Gum rosins	Free, B	5, B	536
5996430	Tall oil rosins	Free, B	5, B	1,555
	Total			324,747
U.K. TARIFF RATE HIGHER THAN EC RATE				
0517280	Walnuts, in shell	10, B	8, B	313
0542060	Dried peas, green color, exc. seed	£0.3750/cwt. or 10, whichever is greater.	4.5, B	4,097
0542080	Seed peas	do	4.5, B	682
0812020	Corn byproducts (mostly corn gluten feed and meal).	10	Free, B	887
0813030	Soybean oil cake and meal	10, B	Free, B	3,626
0813040	Linseed oil cake and meal	10	Free, B	....
0813050	Oilcake and meal, nec	10	Free, B	917
0819960	Alfalfa meal, dehydrated	10	Free, B	....
2211010	Peanuts, shelled	10	Free	407
2910020	Casings, sausage, natural, except hog	10, B	Free, B	1,887
2925030	Seed, bent grass	10, B	6, B	450
2925035	Seed, fescue grass	10, B	6, B	661
4113200	Tallow, inedible (destined for edible usage)	10, B	7, B	5,251
4221000	Linseed oil, crude	15, B	5, B	1,629
4313110	Tall oil fatty acids	10	4.5, B	1,530
	Total			22,337
U.K. TARIFF RATE SAME AS EC RATE				
0015000	Horses for breeding or racing	Free, B	Free, B	1,775
2111010	Cattle hides, whole	Free, B	Free, B	1,375
2116000	Sheep/lamb skins w/wool, undressed	Free, B	Free, B	1,976
2120050	Furskins, undressed, nec	Free, B	Free B,	2,354
2120010	Muskrat fur skins, undressed	Free, B	Free, B	1,893
2120020	Mink fur skins, undressed	Free, B	Free, B	4,220
2214000	Soybeans	Free, B	Free, B	16,215
2631031	Cotton, upland, 1" to 1-1/8"	Free, B	Free, B	6,521
2631041	Cotton, upland, under 1"	Free, B	Free, B	402
2633020	Cotton, comber waste	Free, B	Free, B	2,011
2910010	Hog sausage casings, natural	Free, B	Free, B	1,178
4212010	Soybean oil, crude, inc. degummed	10, B	10, B	1,464
4213020	Cottonseed oil, once refined	15, B	15, B	6,121
	Total			47,505
	Selected U.S. agricultural exports to U.K., total			394,589
	All U.S. agricultural exports to U.K., total			417,854

[1] Ad valorem equivalent's (AVE'S) of specific duties calculated from U.S. export data, the reported value increased by 10 percent as estimate of freight and insurance charges, using conversion rate of $2.3938 to 1.

[2] AVE's of grain levies calculated by dividing unweighted average of levy by adjusted c.i.f. price for 1970. For lard, dried eggs, albumins, and turkey parts, levy (including supplemental levies except on lard) as percentage of sluice gate price, Feb. 1, 1970, to Jan. 31, 1971. For beef, levy as percentage of German c.i.f. price for Argentine beef cuts, boned. Average incidence of sugar-added levy, 2.8 percent canned pineapples and 5 percent canned fruit cocktail. Levy on canned poultry cannot exceed bound rate.

[3] GATT duty-free entry temporarily suspended under U.K.-U.S. grain agreement under which U.K. has applied minimum import prices and levies for brief periods.

[4] As U.K. is not a producer, there is no protective element for U.K. tobacco in present "revenue duty." Revenue duty is collected on unmanufactured tobacco when it is used by manufacturer merely because for a nonproducing area it is more convenient and less costly to collect revenue in this manner than with an excise or consumer tax.

Note: B=items bound under GATT; *B*=rate bound but subject to levy on added sugar; VL=variable levy; SL=supplemental levy; SAL=sugar-added levy; cwt.=hundredweight of 112 lb.

Colombia Sees Increased Sugar Exports as Way To Improve Trade Deficits

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In the past decade, Colombia has been striving to overcome a serious deficit in its balance of payments by promoting exports of new products. To attain this end, it has devoted a substantial part of its human and material resources to the promotion of various agricultural enterprises, one being the sugar industry.

Today, sugarcane is second to coffee—the country's chief source of export revenue—as Colombia's most important agricultural crop, and the current area planted to sugar occupies 10 percent of its cropland. Colombia is the fourth largest producer of centrifugal sugar in South America.

The Republic of Colombia, situated in the northwest section of South America, where the Isthmus of Panama wends its way north and west, is the only country on the continent with both Caribbean and Pacific seacoasts. It covers 455,335 square miles—an area larger than the States of California and Texas combined. Three ranges of the Andes, the Western, Central, and Eastern Cordilleras, run north and south through the country. The Cauca Valley, formed by these mountains between Popayán and Cartago, is a major agricultural area of Colombia.

Colombia now has 988,000 acres planted in sugarcane; the major area of importance is in the Departments (States) of Valle and Cauca which are located in the southwestern part of the country. This region is known as the Cauca Valley and has 235,000 acres in sugarcane production. The remaining 754,000 acres of sugarcane land are used for the production of *panela*, an unrefined brown sugar.

The Cauca Valley has approximately 1 million acres of fertile, flat, alluvial soils, and is situated some 3,300 feet above sea level. Rainfall is well distributed—40 inches a year—and the valley has a mean annual temperature of 77° F. In addition to sugar, it is an important area for the production of beans, coffee, cotton, and soybeans.

In 1962, as a result of the Cuban crisis and concern about a future world sugar shortage, the United States Government, through the Agency for International Development (AID), started projects to help finance expansion of the sugar industries in several Latin American countries, including Colombia. AID financing in Colombia was channeled through the Private Investment Fund of the Banco de la República and the Financieras, both development finance corporations.

With this assistance from the United States, combined with funds resulting when the major sugar mills reinvested some of their profits into their own operations, Colombia increased its centrifugal sugar production from 346,000 metric tons in 1962 to 688,000 tons in 1971.

Two other factors contributing to this increased output were the introduction of improved sugarcane varieties from Puerto Rico and better cane cultivation practices.

There are currently 21 sugar mills operating in Colombia's Cauca Valley. They have an installed milling capacity of 40,000 tons of sugarcane daily but are only grinding about 27,000 tons. Colombia does not have a *zafra*—a definite time period in which to cut and mill sugarcane. Cane is harvested year round and about 65 percent of the area planted in cane is cut annually.

The four largest sugar mills in the valley are Manuelita, Central Castilla, Providencia, and Río Paila. These mills have approximately 60 percent of the total milling capacity in the valley. Manuelita, the oldest mill, began operations in 1901. Río Paila, which has the largest milling capacity, was established in 1926.

The Colombian sugar industry is represented by ASOCANA, the Sugarcane Growers Association, which was established in 1959 by cane growers and mill owners of Cauca Valley. This association has an active research department which maintains statistical data on all phases of Colombia's sugar production and keeps its members informed about the world market situation and export opportunities .

There are 28,000 workers employed by the sugar industry in the Cauca Valley. Unlike those in most other sugar producing countries, they have steady employment throughout the year; sugarcane is constantly being planted, cultivated, or harvested.

The sugar work force is highly organized; some 65 percent of the workers are members of trade unions. Although employees' earnings depend on their job classification, seniority, and other terms of their union contract, the average daily wage for both field and mill workers is 35 pesos (US$1.90) per day. They usually work six 8-hour days per week.

In addition to wages, the Colombian sugar workers receive medical care, paid vacations, old age benefits, funeral

(*Continued on page 9*)

U.S. Dollar Sales Of Farm Products To Yugoslavia Set Record In Fiscal 1971

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Fiscal 1971 was a banner year for U.S. agricultural exports to Yugoslavia. Exports during this period, estimated at over $100 million, were all commercial business—the largest figure since the changeover from heavy reliance on concessional sales under P.L. 480 back in the mid 1960's.

During 1970-71, Yugoslavia was America's largest single market for soybean oil and the largest East European market for soybean meal. For the first time, some soybeans were imported and, in addition, sizable quantities of wheat, feedgrains, lard, hides, and skins helped to establish the new trade record.

The fourfold increase in U.S. exports during the year came about largely because of Yugoslavia's need to make up for poor crop returns in 1970. The very short wheat crop required the importation of 500,000 tons of wheat, of which 383,000 tons, valued at $23.6 million, came from the United States. For the same reason, the United States also sold about 300,000 tons of corn, barley, and rye valued at over $13 million.

Of equal importance was the importation of soybeans and soybean oil valued at $38.6 million because of Yugoslavia's very short sunflower crop. Other commodities included hides and skins at $3.5 million; lard, $2 million; and meat and meat products, $1 million.

Last year's record wheat harvest, estimated at 5.6 million metric tons, appears to be more than enough to meet bread requirements and still provide for increased usage of wheat for feed and seed as well as for rebuilding carryout stocks on June 30, 1972. However, a better estimate of wheat supply and distribution will become possible in the early months of 1972.

The most stable export commodity on a continuing basis has been soybean meal. U.S. exports to Yugoslavia during 1970-71 totaled 182,000 metric tons valued at $18.4 million. In 1969-70, the amount was 166,000 tons valued at $15.6 million. The long-term trend is for Yugoslavia to require increasing amounts of U.S. soybean meal for its growing livestock and poultry industries.

In normal years, Yugoslavia can be expected to be self-sufficient in wheat and a small exporter of corn. However, weather is an unusually critical factor in Yugoslavia, and in years of drought or excessive moisture (a situation which occurs in 4 out of every 5 years) some imports of both food and feedgrains become essential.

Given the rapidly increasing use of cooking oils by consumers, it is more and more difficult for the country to produce sufficient amounts of oilseed for domestic crushing. It appears, therefore, that Yugoslavia will, on balance, be an importer of edible oils in the years ahead. The principal competition to U.S. soybean oil comes from sunflowerseed and oil—when it is available on the world market.

Yugoslavia will require increasing amounts of imported oilseed meals. Basically, the country produces grains for livestock, but it is short on protein feeds. Much effort will be expended to make up for this shortage. Already considerable attention is being given to greater production and use of dehydrated alfalfa meal, urea, and even soybeans. Meanwhile, the principal competition for imported meals is generally provided by peanut meal from India and fishmeal from other sources.

Hides and skins represent an expanding market in Yugoslavia. The increasing demand is in response to the needs of the growing shoe and leather goods industry. During calendar 1970, Yugoslavia imported $37 million worth of hides and skins, compared with $21.7 million in 1969. Of this, $5.7 million came from the United States. Yugoslavia is now exporting significant quantities of shoes and other leather products to a number of markets.

Other important U.S. export items include leaf tobacco (needed to meet the growing consumer preference for blended cigarettes), lard and pork livers (to maintain supplies during the low cycles of domestic swine production), and hops (required until local production can catch up with the country's growing appetite for beer).

Cotton is a special case. Although the United States had been a principal supplier for several years—in some years of $20 million worth, or more— the USSR has been the main supplier since 1967, principally because of Yugoslavia's shortage of dollar exchange. Yugoslavia has made extensive use of bilateral agreements with less developed countries (LDC's) and of the plentiful supplies available in nearby countries.

The major bulk imports required by Yugoslavia during 1971-72 will be feedgrains and edible oils.

The 1971 corn crop of only about 7 million tons was, like the 1970 crop, 800,000 tons, or 10 percent, below the 1969 crop. In addition, beginning stocks on October 1 were extremely low. It appears that imports of 500,000 tons of feedgrains may be necessary.

Despite the very good sunflowerseed harvest in 1971, supply and use estimates indicate that imports of edible vegetable oil and/or oilseed, equivalent to 75,000 tons of oil, may be needed during 1971-72. Beginning stocks were

U.S. wheat arrives at Yugoslav elevator.

extremely low while domestic consumption requirements continue to increase. However, the adjustment of retail price parities between lard and vegetable oil could possibly reduce the oil import requirement for the year.

A part of this import requirement may be met with sunflowerseed, if available. For oil, the amount of soybean oil imported this year remains to be seen. So far, 19,000 tons were purchased under CCC credit for October delivery.

Meanwhile, imports of soybean meal and the other usual import items—hides and skins, some lard, leaf tobacco, and so on—will continue. During calendar 1970, Yugoslavia imported 158,000 tons of soybean meal. This amount was 49,000 tons, or 45 percent, greater than in 1969. While 1971 estimates show soybean meal exports are down somewhat, it is expected that import requirements in 1972 will continue the earlier upward trend.

Sales to Yugoslavia are commercial business but the terms of trade are very important. Of U.S. sales during 1971, CCC credit, barter, and private credit each amounted to about one-third of the total. The CCC line of credit which applied until December 31 totaled $55 million and included wheat, corn, barley, rye, vegetable oils, cotton, tobacco, lard, tallow, and breeding cattle.

Yugoslavia is generally favorable to liberalized trade; but, as in the United States, inflation and severe trade deficits have required the imposition of some trade controls. There are restrictions based on quantity or value for total imports of several commodities including wheat, feedgrains, cotton, and vegetable oils. Some items such as soybean meal are conditionally free and others including lard and meat extracts require special permits. In addition, bilateral trade agreements, clearing accounts with LDC's, and various administrative trade rules tend to impede freedom of transactions.

Yugoslav duties do not discriminate against U.S. products, since the United States grants Yugoslavia most-favored-nation tariff treatment. Many important import items including grain, oilseeds, and breeding stock are free of duty, while others require payment of only 3 to 10 percent. Antidumping surcharges are imposed on some items including eggs, dairy products, and fruits and vegetables during seasons when the domestic industry requires protection. In addition, because of a seriously deteriorating balance of payments situation, a temporary surcharge on dutiable imports of 2 percent which was to have been removed on July 1 was, instead, increased to 6 percent and extended to December 31, 1971.

Bans on Yugoslav exports are sometimes imposed in order to maintain domestic supplies. Currently, export bans are in effect on feedgrains, sunflowerseed, and edible vegetable oils. On the other hand, steps taken to encourage exports include the trade agreement with the European Community, which provides for duty concessions on baby beef and the formation of an export fund which is intended to protect exporters against losses.

Continued from page 7

Colombian Sugar

expenses, transportation, schooling for their children, and many other benefits. Many of the mills provide housing for their employees. Mills also provide recreational facilities, including football fields, tennis courts, and swimming pools.

Colombia participates in the United States sugar quota and is a member of the International Sugar Agreement (ISA). Under new U.S. sugar legislation, effective Jan. 1, 1972, Colombia received an increase in its basic quota and currently has an export entitlement to the United States of 66,664 metric tons for 1972. This allotment could be raised further in 1972 if other supplying countries declare shortfalls in their quotas. In 1971, Colombia's beginning U.S. quota was 44,740 tons, but it ended the year with 58,049 tons.

The U.S. market is very profitable for Colombian sugar exporters because they have been receiving a premium price above that of the world market. Colombia, as a member of the ISA, has a basic export quota of 164,000 tons, but it has not fulfilled this entitlement in past years.

Although world prices of sugar have increased in the past several years, Colombian exporters claim to have lost money in the world market despite the 15-percent tax credit they receive. However, a recent increase in domestic prices of sugar at the mills is likely to stimulate exports, increasing the potential for sugar to help raise Colombia's export earnings even more.

All sugar cxports are through the port of Buenaventura which is located on the west coast of Colombia.

The sugar arrives at the port in 50-kilogram (110 lb.) bags. These are cut open and their contents are dumped into the holds of the ships. Beginning this year, a new bulk-loading system will be put into operation. This will greatly reduce the time needed to load a ship—from the current 12 to 15 days to approximately 3 days when the dockside equipment is installed.

Colombia's domestic consumption of centrifugal sugar in the past decade has increased from 321,000 tons in 1961 to 517,000 tons in 1971. Current per capita consumption is 26 kilograms (57 lb.) annually. This rise in consumption is attributed to a larger population, improved incomes, and migration of people from rural areas into urban sectors. The rural population consumes most of the panela production, estimated at 700,000 tons in 1971. Consumption of centrifugal sugar is presently divided as follows: About 70 percent for direct consumption and the remainder for industrial uses.

The future of the Colombian sugar industry is bright. With improved cultural and technical practices, some members of the industry believe that production can be expanded to more than a million tons by the mid-1970's. In the Cauca Valley, production could be increased from 688,000 tons in 1971 to 900,000 tons, without any increase in planted area or milling capacity of existing sugar mills.

However, some expansion in the area planted in sugarcane is underway in other areas of Colombia. In the Departments of Risaralda, Norte de Santander, Bolívar, and César, the area planted, or to be planted, by 1975, will total about 49,000 acres.

This would bring the total area under sugarcane cultivation in mid-decade to approximately 284,000 acres and put potential centrifugal sugar output at 1,050,000 tons. This will make some 260,000 tons of sugar available for export compared to the present 125,000-150,000 tons.

Ireland Gears Its Dairy Industry For Entry Into the EC

AMONG measures Ireland is taking to increase milk and beef production and prepare Irish agriculture for accession into the European Community (EC) is a sweeping reorganization in milk marketing under the guidance of the country's Dairy Board (*Foreign Agriculture*, Jan. 3, 1972). The controversial "multi-tier" payments scaled to quantity produced, bonuses for milk of designated quality, and levies to the Dairy Board from the creameries all have been abolished. In their place is an EC-type milk support system under which the Dairy Board has assumed the role of intervention agency.

Manufacturing milk prices were raised by about 5 U.S. cents a gallon, and the Dairy Board is paying higher prices for dairy products offered by the creameries.

The Dairy Board will continue as the central exporter of dairy products. The Dairy Produce (Marketing) Act of 1961 will be amended to charge all the Board's losses to the Government. In the past, the Government's share of obligation for these losses was two-thirds.

The Dairy Board now is paying $1,812 per ton for butter, compared with $1,172 in the past. This represents an increase of 12.5 cents per gallon of milk intake. The Board will pay correspondingly higher prices for other dairy products and will include a guaranteed price of $400 per ton for skimmed milk powder, which previously was not on the support list.

Taking into account the higher support larger producers now will receive because of the abolition of the tiering system, combined with the elimination of the direct payments, bonuses, and levies of the old system, the average price increase per gallon of milk is estimated at about 5 cents. The floor price for skimmed milk powder is equal to about 12.5 cents per gallon of skimmed milk. In creameries without skimmed milk powder production facilities, a subsidy of 6.25 cents a gallon will be paid on skimmed milk returned to the producers.

Pricing and marketing arrangements for sales of dairy products on the domestic market also are being altered and a system of consumer subsidies is being introduced. All future sales will be through the Dairy Board. The price of butter to the consumer has been increased from $1,242 a ton to $1,372 and prices of other dairy products have been increased accordingly. The new subsidy payment on butter totals $440 a ton or about 20 cents a pound.

Additional credit will be made available through the Agricultural Credit Corporation (ACC), the Government agency for farm credit. More than $11 million will be provided to expand farm production, bringing ACC's total lending for the current fiscal year to nearly $34 million. Loans for industries processing agricultural products will be made through ACC as needed, with the dairy and pigmeat industries receiving priority. Extra capital borrowing for dairying may reach $10 million.

An additional $2.5 million above credit from commercial credit sources may be needed to help finance improvement in pigmeat factories as part of a proposed factory rationalization scheme. Total investment in Irish agriculture now is running at about $150 million a year.

The Irish Government has decided to increase by $438 the bonus grant that may be earned by new participants in the Small Farm Incentive Scheme. The grant now will total $1,250. The increase has applied since January 1, but the Government plans to keep the Scheme under review in light of the evolving EC structural policy.

The Small Farm Incentive Scheme was launched in May 1968 to encourage small farmers to grow and develop by following a 4-year development plan. However, it has not attracted a significant number of participants. Less than 10,000 farmers out of a possible 80,000 are presently taking part in the Scheme.

Reactions to Ireland's new farm measures have been varied, but generally good. The abolition of the multi-tier system of milk support was welcomed by most. As the influential *Farmers' Journal* put it, "the green light has come for creamery milk production" with the movement toward the EC milk support system and there will be "no tears for the multi-tier."

The National Farmers' Association, one of Ireland's two big farmer groups, welcomed the new system, but regretted the failure to provide assistance to sheep farmers. The other large farmer organization, the Irish Creamery Milk Suppliers Association, regretted the ending of the old method of milk support without alternative compensatory provisions and posed the question of whether the Government already was writing off the smaller milk producers.

The new measures on milk and capital will give farmers added incentives and opportunities to plan ahead. The changed milk regulations will release the brake on commercial farmers, thus stimulating milk output next year and boosting calf and, hence, beef cattle numbers.

However, the return to a single producer milk price from each creamery will emphasize the differences between the efficient and the less than efficient operations. This, combined with other factors, should hasten the rationalization in creamery structures. Efficient creameries now should be able to pay 41.8 cents for a gallon of milk, including the return for skimmed milk.

The extra credit facilities and the growing awareness of the importance of credit should help Irish agriculture develop to its full potential as it approaches an era of higher prices and greater opportunities.

The new milk regulations, however, mean a major shift in policy. Smaller farmers no longer will be receiving preferential treatment. Thus, they will become more vulnerable in competition with highly efficient large producers. Some compensation may be available to them through the increased benefits of the Small Farm Scheme, but it will be small. Participation in the Scheme would have to increase dramatically and even so, the Scheme's goal of an annual gross income of $1,750 is extremely low and has very little relevance in any area of Irish life today. This may be what Minister of Agriculture and Fisheries, James Gibbons, T.D., had in mind when he noted he was keeping the structural situation "under review."

—Based on a dispatch from
EUGENE T. RANSOM
U.S. Agricultural Attaché, Dublin

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Feb. 16	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	1.98	0	[1] 1.98
USSR SKS-14	1.87	0	2.03
Australian FAQ	[2]	[2]	1.88
U.S. No. 2 Dark Northern Spring:			
14 percent	1.92	−1	2.07
15 percent	1.96	−1	2.09
U.S. No. 2 Hard Winter:			
13.5 percent	1.80	0	1.98
No. 3 Hard Amber Durum	1.82	0	2.01
Argentine	[2]	[2]	[2]
U.S. No. 2 Soft Red Winter	[2]	[2]	1.89
Feedgrains:			
U.S. No. 3 Yellow corn	1.41	−2	1.80
Argentine Plate corn	1.60	0	1.85
U.S. No. 2 sorghum	1.50	0	1.63
Argentine-Granifero sorghum	1.53	0	1.61
U.S. No. 3 Feed barley	1.25	0	1.54
Soybeans:			
U.S. No. 2 Yellow	[2]	[2]	3.39
EC import levies:			
Wheat [3]	[4] 1.64	−1	1.42
Corn [5]	[4] 1.11	+2	.71
Sorghum [5]	[4] 1.03	+1	.75

[1] Manitoba No. 2. [2] Not quoted. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

SUGAR AND TROPICAL PRODUCTS

Loss of East Pakistan's Jute Swells Price of U.S. Burlap

Despite the urgency to East Pakistan of reestablishing the export trade in raw jute and jute manufactures—which accounted for over 90 percent of its foreign exchange earnings in the past—there is still no indication as to when actual shipments might resume. There are reports of progress in creating the commercial and governmental infrastructure needed to permit resumption of trade, but so far there have been almost no concrete results. The Government has taken over 27 jute mills and 14 jute exporting firms.

With shipments having been cut off from East Pakistan, India had a near monopoly on the supply of jute goods. Although prices of burlap bags have advanced in the United States, trade sources indicate that U.S. inventories of bagging material are adequate for the next 3 months. The price of imported burlap has increased by about 50 percent since the outbreak of war last March.

The Soviet Union Lowers Sugar Production Estimate

According to *Pravda's* January 23 Report on 1971 Economic Plan Fulfillment, sugar beet production in the USSR amounted to only 72.1 million metric tons, gross. Earlier expectations had been much more optimistic.

Considering the lower sugar beet production estimate, granulated sugar production for 1971-72 may total only about 7.5 million metric tons rather than earlier expectations of some 8.7 million tons. The lower estimate indicates that recent heavy sugar purchases by the USSR on the world market (including Brazil, Australia, El Salvador, and the Dominican Republic) were needed to meet requirements.

Brazil Earmarks Funds To Fight Coffee Leaf Rust

The Brazilian Coffee Institute recently announced that a study showed coffee leaf rust would increase coffee production costs by 20 percent. Brazilian specialists regard it as impossible to stop the spread of the disease.

The Brazilian Government plans to earmark about $100 million in 1972 for a program to renovate coffee plantations. Much of the money is to be used for planting some 120 million rust-resistant trees.

LIVESTOCK AND MEAT PRODUCTS

U.S. Meat Imports Large in December

Meat imports subject to the Meat Import Law during December 1971 totaled 130.3 million pounds, compared with 89.8 million for December 1970. Imports for calendar 1971 totaled 1,132.6 million pounds, 3 percent below the 1,170.6 million for 1970. Rejections for full calendar 1971 are not currently available. For the January-September period they totaled 12.2 million pounds versus 17.4 million for full calendar 1970.

Larger declared entries for consumption in December 1971 from Australia, Costa Rica, Mexico, Nicaragua, Guatemala, Honduras, and the Dominican Republic accounted for the gain from December 1970. Imports from Australia totaled 62.2 million pounds. New Zealand followed with 25.4 million

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FOREIGN AGRICULTURE

pounds, Nicaragua with 12.5 million, Guatemala with 6.1 million, Canada with 5.8 million, Mexico with 5.6 million, Costa Rica with 5.0 million, Ireland with 4.9 million, and Honduras with 1.3 million.

U.S. IMPORTS OF MEAT SUBJECT TO MEAT IMPORT LAW,[1] JANUARY-DECEMBER 1971, WITH COMPARISONS

Country of origin	December 1970	December 1971	January-December 1970	January-December 1971	Percent change from 1970 Jan.-Dec.
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*Percent*
Australia	27,838	62,157	565,500	530,015	−6
New Zealand	32,741	25,375	241,927	241,037	—
Mexico	3,537	5,595	78,519	79,108	+1
Canada	7,772	5,849	77,810	77,716	—
Ireland	9,172	4,870	68,963	63,830	−7
Nicaragua	4,418	12,460	42,329	43,943	+4
Costa Rica	2,127	5,019	37,735	40,884	+8
Guatemala	840	6,071	23,246	25,968	+12
Honduras	149	1,287	15,872	16,785	+6
Dominican Republic	984	1,173	7,720	6,982	−10
Panama	48	254	5,149	2,717	−47
United Kingdom	111	3	4,553	2,164	−53
Haiti	86	206	1,278	1,490	+17
Total[2]	89,824	130,320	1,170,600	1,132,638	−3

[1] Fresh, frozen, and chilled beef, veal, mutton, and goat meat including rejections. Excludes canned meat and other prepared or preserved meat products. [2] May not add due to rounding.

U.S. IMPORTS OF MEAT SUBJECT TO MEAT IMPORT LAW (P.L. 88-482)

Imports	December	January-December
	Million pounds	*Million pounds*
1971:		
Subject to Meat Import Law[1]	130.3	1,132.6
Total beef and veal[2]	144.0	1,310.7
Total red meat[3]	185.7	1,760.3
1970:		
Subject to Meat Import Law[1]	89.8	1,170.6
Total beef and veal[2]	104.2	1,350.1
Total red meat[3]	139.2	1,809.7
1969:		
Subject to Meat Import Law[1]	69.4	1,084.1
Total beef and veal[2]	83.2	1,216.6
Total red meat[3]	118.2	1,653.0

[1] Fresh, chilled, and frozen beef, veal, mutton, and goat meat including rejections. [2] All forms, including canned and preserved. [3] Total beef, veal, pork, lamb, mutton, and goat.

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